

March 2018 Revenue Update

Major Taxes

Cash collections from Michigan major taxes, penalties and interest, and lottery transfers totaled \$1,363.1 million in March 2018, \$169.9 million more than in March 2017. For the fiscal year-to-date, collections in FY 2017-18 are \$386.1 million (or 4.6%) higher than during FY 2016-17.

Net income tax revenue totaled \$441.8 million in March 2018, and for FY 2017-18 collections through March are \$395.5 million (or 10.9%) higher than the same period during FY 2016-17. Year-to-date collections in FY 2017-18 from income tax withholding are \$153.5 million higher than one year ago, and quarterly payments remain well above target as a result of higher than anticipated collections in January and February. However, this is likely a timing issue and will presumably be offset by lower annual payments and higher refunds as more returns are filed in the coming months.

Net business taxes are the sum of the single business tax (SBT), the Michigan business tax (MBT), the corporate income tax (CIT), and insurance company taxes. Because of the uncertainty over when existing certificated MEGA credits will be claimed and the inherent volatility of corporate income taxes, monthly collections of business taxes can display significant fluctuations that diverge from historical patterns, and March 2018 was no exception. On a fiscal year-to-date basis, net business taxes are \$96.5 million lower through March 2018 than a year ago, primarily due to large MBT refunds and lower than anticipated CIT revenue.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$773.7 million in March 2018, and are collectively \$88.6 million higher than in FY 2016-17 on a year-to-date basis. Use tax collections continued to exceed projections, in part due to a reclassification of sales tax revenue to use tax revenue to compensate for improperly remitted sales tax revenue in prior months.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in March 2018 were \$17.9 million and \$19.1 million, respectively, and on a year-to-date basis, SET revenue is slightly below the consensus estimate. Transfers from the lottery to the School Aid Fund were \$65.0 million in March 2018, and are \$7.5 million higher than FY 2016-17 on a year-to-date basis.

General Fund/General Purpose (GF/GP) Tax Revenue

General Fund revenue from Michigan major taxes was estimated¹ to be \$412.9 million in March 2018, about \$14.5 million above the projection established at the January 2018 consensus revenue estimating conference (CREC) as large MBT refunds offset the jump in use tax revenue.

Year-to-date GF/GP tax revenue for FY 2017-18 is about \$81.1 million above the projected amount as higher than expected individual income tax and use tax revenue more than offset disappointing collections from business taxes.

School Aid Fund Revenue

School Aid Fund revenue from Michigan major taxes was estimated¹ to be \$860.1 million in March 2018, about \$25.5 million below the amount established at the January 2018 consensus revenue estimating conference, much of which can be attributed to use tax collections accruing to the SAF.

Year-to-date SAF revenue for FY 2017-18 is \$63.0 million above the consensus revenue projections, buoyed by the strong individual income tax and use tax collections.

¹ Because of accruals and undistributed revenue, monthly fund splits are estimated.

FY 2017-18 March Revenue Collections
Millions of Dollars

<u>Major Taxes</u>	FY 2017-18 <u>March</u>	Year-to-Date Collections		Change from FY 2016-17 Year-to-Date		FY 2017-18 Estimates (January 2018 CREC)	
		<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$881.4	\$4,094.2	\$4,247.7	\$153.5	3.7%	\$9,698.4	3.9%
Quarterly Income Tax	19.0	465.2	699.7	234.5	50.4%	1,241.1	3.9%
Annual Income Tax	94.0	146.9	163.8	17.0	11.6%	950.6	8.0%
Gross Income Tax	994.4	4,706.3	5,111.3	404.9	8.6%	11,890.1	4.2%
Less: Income Tax Refunds	552.6	1,073.6	1,083.0	9.4	0.9%	1,990.1	1.7%
Net Income Tax	441.8	3,632.7	4,028.3	395.5	10.9%	9,900.0	4.7%
Business Taxes							
Single Business Tax	(0.1)	(2.4)	6.4	8.8		5.0	
Michigan Business Tax	(21.5)	(611.3)	(638.9)	(27.6)		(757.9)	
Corporate Income Tax	29.1	383.6	281.0	(102.5)	(26.7%)	955.2	(13.6%)
Insurance Company Taxes	6.5	92.6	117.3	24.7	26.7%	412.1	11.2%
Subtotal	14.0	(137.6)	(234.1)	(96.5)		614.4	(22.3%)
Consumption Taxes							
Sales Tax	570.8	3,121.4	3,114.2	(7.2)	(0.2%)	8,026.9	2.9%
Use Tax	124.5	456.2	560.6	104.4	22.9%	1,107.0	1.9%
Beer and Wine Taxes	3.4	19.2	20.9	1.8	9.3%	52.5	2.7%
Liquor Excise Tax	9.6	43.1	40.3	(2.8)	(6.6%)	111.6	2.4%
Tobacco Taxes	65.5	371.0	363.4	(7.6)	(2.1%)	938.5	(0.8%)
Subtotal	773.7	4,010.9	4,099.4	88.6	2.2%	10,236.5	2.5%
Other Miscellaneous Taxes							
State Education Tax	17.9	312.1	272.6	(39.5)	(12.7%)	2,027.1	3.2%
Real Estate Transfer Tax	19.1	116.8	123.5	6.7	5.7%	322.6	1.7%
Essential Services Assessment	0.0	0.1	0.1	0.0	0.0%	91.0	8.3%
Industrial & Commercial Facilities Taxes	6.9	12.1	12.2	0.1	0.6%	38.0	5.6%
Casino Wagering Tax	11.2	47.7	47.7	0.0	0.0%	113.0	(0.2%)
Gas and Oil Severance Tax	2.3	10.3	10.6	0.3	2.8%	25.0	6.4%
Telephone and Telegraph Tax	0.0	13.8	14.6	0.8	5.7%	35.0	(1.7%)
Penalties and Interest	11.2	39.6	62.3	22.7	57.2%	112.0	(0.7%)
Lottery Transfer to SAF	65.0	373.0	380.5	7.5	2.0%	926.0	0.2%
Subtotal	133.6	925.7	924.2	(1.5)	(0.2%)	3,689.7	2.2%
TOTAL	\$1,363.1	\$8,431.7	\$8,817.8	\$386.1	4.6%	\$24,440.6	2.5%

Note: Numbers may not add due to rounding.